

**MINUTES
LEGISLATIVE FISCAL COMMITTEE
of the LEGISLATIVE COUNCIL
December 16, 2004**

The Legislative Fiscal Committee of the Legislative Council met December 16, 2004, in Room 22 in the Capitol Building. The meeting was called to order at 10:10 a.m. with the following members present:

- Senator Jeff Angelo, Co-Chairperson
- Representative Bill Dix, Co-Chairperson
- Senator Robert Dvorsky
- Representative Mark Kuhn
- Representative Don Shoultz
- Representative Jamie Van Fossen

The following agenda items were discussed:

- **Minutes Approved:** The minutes of the November 18, 2004, meeting were approved as presented.
- **FY 2005 and FY 2006 Revenue Estimates from the December 14 Revenue Estimating Conference (REC):** Holly Lyons and Jeff Robinson, Legislative Services Agency (LSA), presented revenue information. Discussion included:
 - The REC increased the FY 2005 revenue growth estimate to 2.7% and 1.8% for FY 2006. The REC does not anticipate any additional growth for FY 2005 above the 2.7%.
 - Changes are being proposed to adjust State withholding tax tables to reflect adjustments in salaries and additional income. These changes have been reflected in the REC revenue estimate.
- **General Fund Balance Sheet and FY 2006 Built-in Expenditure Changes.** Holly Lyons and Dave Reynolds, LSA, discussed the following:
 - The estimated ending balance for FY 2005 is \$237.1 million based on the REC estimate from December 14. Assuming the exact same appropriations were to be made in FY 2006 as FY 2005, the estimated ending balance is \$61.5 million for FY 2006.
 - The anticipated increase due to employee collective bargaining was assumed to be 2.0%.
 - Holly Lyons reported a publication provided by the LSA will soon be available on the departmental budget requests for FY 2006. This will be available on the Internet at: <http://staffweb.legis.state.ia.us/lfb/docs/BudgAnalysis/BudgAnalysis.htm>.
- **Medicaid FY 2004 and FY 2005 Update:** Jennifer Vermeer, LSA, provided the FY 2004 and FY 2005 Medicaid expenditures and budget information.
- **Discussion of Potential Supplemental Appropriation Requests for FY 2005.** Sue Lerdal and Jennifer Vermeer, LSA. Discussion included:
 - Ms. Vermeer stated there is a potential supplemental appropriation of \$74.4 million needed for FY 2005. This includes the Department of Human Services (\$69.5 million); the Judicial

Branch (\$1.5 million); Inspections and Appeals (\$4.0 million); Department of Public Safety (\$150,000); and Agriculture and Land Stewardship (\$240,000).

- Members discussed the federal Medicare Part D Program changes, the requirements, the applications process, prescription drugs, and individual eligibility for dual (Medicare and Medicaid) coverage.
- Committee members requested more information on the preferred drug list of Medicare that is scheduled to start in January 2006, including pricing from drug companies and the number of preferred drugs in each category.
- **Update on Net Tax Supported Debt.** Dave Reynolds, LSA, discussed the net tax supported debt.
 - The net tax supported debt for the Fiscal Year ending June 30, 2004, was \$788.6 million, including Regents Academic Revenue Bonds. This includes \$555.3 million on outstanding principal and an estimated \$233.3 million for interest. Not all of the debt service is paid from the General Fund. Mr. Reynolds also reviewed a summary of the debt types included in the Net Tax Supported Debt.
 - Representative Dix requested additional information on the percentage ratio of the Net Tax Supported Debt to the General Fund estimated growth.
- **Update on the Iowa Capital Investment Corporation Activity.** Dennis Murdock, Chairman and John Shors, Corporate Counsel.
 - Mr. Murdock reviewed the background and history of Iowa Capital Investment Corporation and its goals for the future. The Corporation was designed using the State of Oklahoma's model. The Corporation will be proposing minor and technical statutory changes to the General Assembly.
 - Senator Dvorsky requested a copy of the proposed legislative changes. Mr. Murdock provided copies of the proposal before the meeting adjourned.
- **Summary of 2004 Issue Reviews.**
 - Dave Reynolds, LSA, distributed a list summarizing the *Issue Reviews* completed by Fiscal Services Division staff during the 2004 interim.
 - Beth Lenstra, LSA, presented two *Issue Reviews*:

Medical Costs of the State Prison System

- Medical costs of the State Prison System are estimated to continue to grow as mental health problems grow and the prison population increases. Twenty percent of prisoners may have mental health issues.
- Senator Dvorsky indicated a recent memo from John Baldwin, Deputy Director, Department of Corrections (DOC), indicated the Iowa Corrections System is the leader in the use of telemedicine. Committee members requested a copy of this memo.
- Senator Dvorsky also requested that the Committee be updated as to measures taken by the DOC for containing medical costs, specifically, the Iowa Medical Classification System at Oakdale working with the University of Iowa Hospitals and Clinics.

Overview of the State Corrections System

- This *Issue Review* provides an overview of Iowa's Corrections System, offender population growth, and the impact on the State's budget.
- Due to budget shortfalls in recent years, states have either slowed the growth of, or reduced spending on corrections systems. In Iowa, General Fund appropriations to the DOC were reduced by \$10.0 million (4.0%) in FY 2002 and an additional \$206,000

(0.1%) in FY 2003. However, corrections spending in Iowa is increasing again, with \$22.5 million (9.3%) added to the Corrections System in FY 2004 and \$5.7 million (2.2%) added in FY 2005. The majority of the increases were to operate additional beds and to partially fund salary increases. Spending on corrections is projected to continue increasing.

- **Appropriation Transfers:** No new appropriation transfers were received since the November meeting.
- **Follow up Issues from November Meeting.** Beth Lenstra discussed the Indigent Defense Cost Increases and Law Enforcement Academy Course Enrollment.
 - The average annual increase in total spending for Indigent Defense Costs (State Public Defender's Office plus Indigent Defense appropriation) is 8.59% from FY 1994 through FY 2004. Costs are driven by improved enforcement and prosecution of criminal offenses, increased number of defendants who are indigent, enhanced penalties for existing crimes, and creation of new crimes.
 - The Iowa Law Enforcement Academy (ILEA) certifies local training academies. There are three full academies and two certified short academies in Iowa. Enrollment has decreased at each of these academies. Local police department staffing has been reduced in the last several years. The ILEA is surveying local governments to determine reasons for the reductions in personnel and staff training. Results of that survey should be available in January.
- **Update on Buyer/Seller Budgeting Process:** Randy Bauer, Department of Management.
 - Final stages of the budget process for the Executive Branch have started and information should be available in approximately two weeks, both, a line-item budget and a methodology for the new budget process.
 - Mr. Bauer also responded to Representative Dix' question on the decision making process, rationale for selecting the Public Strategies Group (PSG) for the budget process. He referenced a letter to Representative Dix from Cynthia Eisenhower, Director, Department of Management. In that letter she listed five reasons the PSG was asked to assist.
 - Senator Angelo asked when the General Assembly will receive the budget. Mr. Bauer replied that the Governor will meet the statutory date of February 1.
- **Long Term Care Committees Information.** Lisa Burk, LSA; and Mark Haverland, Director, Department of Elder Affairs.
 - Mr. Haverland provided a summary on four Long Term Care Groups: National Governor's Association Long Term Care Work Group, Aging Services Cabinet, Senior Living Coordinating Unit, and Long Term Care Task Force. He reviewed the members, purpose, and authorization of each group.
- **Discussion of Fiscal Committee Membership and Meetings for 2005 and 2006.** Due to the Senate having an equal number of Democrats and Republicans, members discussed a possible recommendation for this Committee to consider would be to rotate a Senate ad hoc Democratic member and an ad hoc Republican member for meetings.
- **Adjournment** – Upon motion by Senator Dvorsky, the meeting adjourned at 1:40 p.m.

Attachments for Legislative Fiscal Committee Meeting December 16, 2004

- A. [Minutes from November 18, 2004 Meeting](#)
- B. [FY 2005 and FY 2006 Revenue Estimates](#)
- C. [General Fund Balance Sheets and FY 2006 Built-in Expenditures](#)
- D. [Medicaid Update](#)
- E. [Potential Supplemental Appropriation Requests for FY 2005](#)
- F. [Long Term Care Committees](#)
- G. [Update on Net Tax Supported Debt](#)
- H. [Summary of **Issue Reviews** by the LSA Fiscal Services Division](#)
- I. [Issue Review: Medical Costs of the State Prison System](#)
- J. [Issue Review: Overview of the State Corrections System](#)
- K. [Indigent Defense Cost Increases](#)
- L. [Law Enforcement Academy Course Enrollment](#)
[Iowa Capital Investment Corp. proposed legislative changes](#)

Information Only Documents:

[DHS Child and Family Services and Adoption Subsidy Expenditure Information](#)
[Military Pay Differential Report](#)
[Healthy and Well Kids in Iowa \(*hawk-i*\) Update](#)
[Partnership Agreements between the DOC, DHS, DNR, and DOT and the Public Strategies Group \(PSG\) \(follow-up from November meeting\)](#)